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SUBJECT: ARGENTINA: AGRICULTURAL NEGOTIATIONS MAKE LITTLE PROGRESS

REF: (A) Buenos Aires 00328; (B) Buenos Aires 00368; (C) Buenos  
Aires 00379; (D) Buenos Aires 00386; (C) Buenos Aires 0398; Buenos  
Aires 408; Buenos Aires 415; Buenos Aires 540

¶1. (SBU) Summary: Based on limited progress in agricultural negotiations, farm sector leaders extended their truce with the GOA from May 2 to May 6, but in the absence of any additional progress it appears likely that strikes will resume in some fashion. GOA and farming leaders did not reach agreement on variable-rate export taxes (the priority issue in negotiations), nor have wheat or beef exports resumed despite earlier reports of government agreements to allow them. Farm leaders stated they will take no additional action to disrupt commerce before May 7 beyond the protests already organized. Any measures taken after that date will depend on progress in negotiations. Farmers say they hope to avoid a repeat of food shortages that risk reducing public support. The Kirchner Administration has been unyielding, with nary a concession in sight. (Press articles cite Nest Kirchner as saying privately he wants the rural leaders on their knees.) The result has been minimal progress at the negotiating table. Talks continue late May 6. End Summary.

Wheat Exports Open?  
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¶2. (U) Under the wheat agreement reached between the rural sector leaders and the government, the GOA has agreed to open exports for 100,000 tons to Brazil (Argentina has an estimated 1.2 to 1.5 million tons left to export from this year's crop) and will press wheat exporters to pay higher prices to producers. As of May 6 this agreement is still pending implementation.

Beef Exports Open  
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¶3. (U) On May 5, new Economy Minister Carlos Fernandez announced the reopening of beef exports, although contacts in the industry indicate that actual shipments were negligible and one daily headlined May 6 that exports had not resumed. Rather than fully liberalizing beef exports, the new regulation actually expanded the authority of the GOA to restrict exports of beef and beef products in the future. The revised regulation failed to include the previous week's agreement with farm groups to allow more cooked beef exports and increase the export quota. Control of beef exports will now be in the hands of the National Bureau of Agricultural Trade Control (Oncca), headed by Ricardo Echegaray, a former Customs Director.

Agricultural Sector Response  
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¶4. (U) So far agriculture groups have organized several protests since the formal end of the truce in the farm strike on May 2, but agreed that they will not block the highways or take other measures to disrupt commerce (at least for now). Rural sector leaders are critical of the beef export terms, and remain skeptical about the eventual implementation of any agreement reached with the GOA. At the same time, they appear anxious to avoid giving the GOA any

excuse for breaking off the wider negotiations May 6. Leaders stated they will take no additional action before May 7, and any measures taken after that date will depend on progress in negotiations. Farm leaders emphasize that they want to avoid food supply disruptions in major cities and will not resume a total blockade of major roads. One option under consideration is to block trucks moving soybeans and grain to the export terminals in order to prevent the GOA from collecting the export tax. The farm groups are, however, under heavy pressure from their members to take action. One local group is currently blocking movement of agricultural products on a major road close to the city of Reconquista in northern Argentina.

#### Administration Tactics - More of the Same

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15. (SBU) For the Kirchner administration, the stakes in the confrontation with the agricultural sector quickly became political as CFK's team apparently decided that any concession to the striking farmers would be viewed as a sign of weakness. When Economy Minister Martin Lousteau was forced out, there was some speculation that the Kirchners would use him as a scapegoat and seize his departure as an opportunity to retract some of their agricultural policies. The Kirchner Administration has been unyielding, however, with nary a concession in sight. Local press reports target ex-President Nestor Kirchner as taking the toughest line. They quote him as privately saying he wants the agricultural sector leaders on their knees before an agreement is reached and report that he has vetoed several concepts for agreement emerging from talks. The result has been minimal progress at the negotiating table, with no further progress expected in the negotiations May 6, though talks continue late in the day.

#### Comment

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16. (SBU) We do not see an imminent breakthrough in negotiations, and farm groups will be under heavy pressure from their members to take action. Both sides appear to be preparing for a long dispute and are looking for ways to retain public support should strikes resume. The agriculture sector is considering resorting to only partial blockades in order to avoid food shortages and public ire, while the Administration in the form of President Cristina Fernandez de Kirchner continues blaming the farm organizations' last strike and its food shortages for rapidly rising inflation.

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